

# Fullerton Total Return Multi-Asset Income

May 2022

## Investment Objective

The investment objective of the Fund is to generate regular income and long term capital appreciation for investors by investing in equities, fixed income, cash and other permissible investments.

The Fund will invest primarily in a diversified portfolio of collective investment schemes, other investment funds, exchange traded funds (“ETFs”) (including but not limited to gold ETFs), securities and/or hold cash, as deemed appropriate by us in accordance with its investment objective. Fixed income securities and/or collective investment schemes invested by the fund may be denominated in SGD and/or foreign currencies. Foreign currency denominated fixed income securities and/or collective investment schemes will generally be hedged back to the SGD except for some frictional currency limit (to account for possible deviation from a 100% hedge). The fund may use FDIs (including, without limitation, treasury futures, interest rate futures, equity futures, gold futures, options, interest rate swaps and foreign exchange forwards) for hedging and efficient portfolio management purposes.

## Manager’s Commentary

### Market Review

Weakness in equities resumed in April and into May before market technical prompted a short cover rally. MSCI AC World and S&P 500 indices managed to close the month flat while MSCI Asia and MSCI Europe recovered from short term oversold positions to return 0.5% and 0.8% respectively in dollars. The ascend of DXY, the dollar index, may have paused after a 17% rally since May 2020.

Monetary policy tightening by global central banks is likely to weigh on equity as inflation remains the key focus. Fed fund futures one year forward has priced in another 2 percentage points rate hikes to 3% and ECB President Lagarde has backed calls for policy normalisation. This is taken to mean two 25 bps hikes to its deposit facility rate, bringing it to zero later this year. Central banks now see the urgency to tighten policy to curb excess demand amid rising prices. CPI inflation in US remains above 8% and the Fed’s preferred measure PCE inflation rate has averaged 5% since December 2021. In Europe, despite an unemployment rate of just under 7%, the higher energy cost has pushed CPI inflation to above 8% in May.

The peak in inflation this cycle appears within reach but it would be difficult to push it back to the pre-COVID level of 2%. For the time being, central banks rhetoric remain hawkish, which is why we fear narrative of stagflation will turn into recession if the Fed continues to tighten into next year. Meanwhile, bond yields have raced ahead to price in higher rates. It is not surprising that for May, JACI Investment Grade Index returned just 0.2% (in dollars) and the fear of recession along with successive 50 bps hikes in rates drove JACI High Yield Index down 2.8% (in dollars).

### Investment Outlook

In the US, the economy is running on overdrive and the labour market remains very tight. The Fed’s quantitative tightening in the form of c.US\$1 trillion balance sheet assets reduction annually when fully implemented, will withdraw liquidity from market. Coupled with a Russia-Ukraine conflict which compounded the shortage in energy, the likely result is lower price-to-earnings multiples for equity over-time, so we remain negative on risk-assets which have not taken into account the new paradigm.

Given the record level of indebtedness by government, corporate and household sectors, the likelihood of Fed successfully engineering a soft landing will be difficult. The pace of hikes and Fed’s communication will be key to market’s performance. On the other hand, market should be relieved that the Chinese government has ended the lockdown imposed on Shanghai and other cities. Its CNY14.8 trillion (US\$2.3 trillion) proposed infrastructure spending to kickstart the economy should commence within months. More is expected to follow since in the April Politburo meeting China’s leaders have pledged to meet its growth target of around 5.5% this year. Downside risks will escalate the longer China withholds from stimulating its economy.

### Investment Strategy

The Fund continues to underweight equity, given our more cautious stance on risk assets, but will adjust tactically the exposure from time to time. Global central banks have few alternatives but to tighten financial conditions aggressively to anchor inflation and inflation expectations. In fixed income, we are positive on duration when 10-year Treasury yield is above 3% as the risk of a recession will increase if central banks continue to hike in a declining growth momentum. In Asia credit, the Fund is defensively positioned after building up some exposure to government bonds to hedge against volatility in risk assets. The Fund continues to hold higher than normal level of cash to cushion against market volatility. Given how much dollar has risen, further gains will be more event dependent. In the meantime, dollar may just trade in a range with other major currencies.

## Fund Information

<b>Fund Size</b>	SGD 412.50 million
<b>Base Currency</b>	SGD
<b>Preliminary Charge</b>	Currently up to 5%
<b>Dealing Frequency</b>	Every Business Day
<b>Subscription Mode</b>	Cash, SRS

## Performance (%)

	1 mth	3 mths	YTD	1 year	3 years	5 years	Since Inception	Volatility
<b>A-SGD</b> (bid-to-bid)	-0.51	-3.32	-10.08	-	-	-	-6.46	-
<b>A-SGD</b> (offer-to-bid)	-5.25	-7.92	-14.36	-	-	-	-10.92	-
<b>B-SGD</b> (bid-to-bid)	-0.51	-3.32	-10.08	-	-	-	-6.46	-
<b>B-SGD</b> (offer-to-bid)	-5.25	-7.92	-14.36	-	-	-	-10.92	-
<b>B1-USD</b> (bid-to-bid)	0.03	-4.00	-11.21	-	-	-	-9.04	-
<b>B1-USD</b> (offer-to-bid)	-4.73	-8.58	-15.44	-	-	-	-13.37	-
<b>C-SGD</b> (bid-to-bid)	-0.51	-3.32	-10.08	-	-	-	-6.46	-
<b>C-SGD</b> (offer-to-bid)	-5.25	-7.92	-14.36	-	-	-	-10.92	-
<b>C1-USD</b> (bid-to-bid)	0.08	-4.10	-11.33	-	-	-	-9.19	-
<b>C1-USD</b> (offer-to-bid)	-4.68	-8.67	-15.56	-	-	-	-13.51	-

Returns are calculated on a single pricing basis with net dividends and distributions (if any) reinvested. Offer-to-bid returns include an assumed preliminary charge of 5% which may or may not be charged to investors. Returns more than a year are annualised.

## Asset Allocation (%)<sup>1</sup>

Equities	33.9
Fixed Income	24.1
Commodities	6.0
Cash and cash equivalents	36.1

## Country Exposure (%)<sup>1</sup>

US	67.7
China	5.9
Singapore	3.4
Australia	3.4
Taiwan	3.1
Indonesia	2.6
Hong Kong	2.3
Germany	2.1
Others (Developed Market)	5.5
Others	4.0

## Sector Exposure (%)<sup>1</sup>

Information Technology	19.7
Financials	19.1
Industrials	11.1
Energy	10.8
Communication Services	8.6
Consumer Discretionary	7.6
Health Care	5.7
Utilities	5.3
Consumer Staples	4.5
Materials	3.8
Real Estate	2.6
Government	1.1
Asset Backed Securities	0.2

## Top 5 Holdings (Equities, % of NAV)

Energy Select Sector SPDR Fund	3.9
Consumer Staples Select Sector SPDR Fund	3.1
Advanced Micro Devices	2.7
ConocoPhillips	2.7
Microsoft Corporation	2.5

## Top 5 Holdings (Fixed Income, % of NAV)

Keppel Corp 2.459% Jun 2025	0.2
Shinhan Financial Group 3.34% Feb 2030	0.2
Republic of Indonesia 8.5% Oct 2035	0.2
Shenhua Overseas Capital 3.875% Jan 2025	0.2
Parkway Pantai 4.25% PERP	0.2

## Fund Statistic

<b>Fixed Income</b>	
Duration	13.9 years
Average Credit Rating <sup>2</sup>	BBB
Yield-to-Worst <sup>3</sup>	8.3%
<b>Equities<sup>4</sup></b>	
Dividend Yield	1.8%
Price to Book	3.6x
Price to Earnings	16.9x

## Dividend History<sup>5</sup>

	Dividend / share	Record Date	Annualised Dividend (%)
Class B	SGD 0.0034	29 Apr 2022	4.59
Class B	SGD 0.0033	31 May 2022	4.49
Class B1	USD 0.0033	29 Apr 2022	4.61
Class B1	USD 0.0032	31 May 2022	4.48
Class C	SGD 0.0051	29 Apr 2022	7.09
Class C	SGD 0.0049	31 May 2022	6.88
Class C1	USD 0.0050	29 Apr 2022	7.21
Class C1	USD 0.0048	31 May 2022	6.95

## Fund Details

	Class A	Class A1
<b>Inception Date</b>	16 June 2021	To be incepted
<b>NAV per Unit<sup>6</sup></b>	SGD 0.94	To be incepted
<b>Management Fee</b>	Currently 1.00% p.a.	Currently 1.00% p.a.
<b>Initial Investment</b>	None	None
<b>Subsequent Investment</b>	None	None
<b>ISIN Code</b>	SGXZ43030667	SGXZ70708284
<b>Bloomberg Code</b>	FULTRMA SP	FULTMA1 SP

	Class B (Distribution)	Class B1 (Distribution)
<b>Inception Date</b>	16 June 2021	16 June 2021
<b>NAV per Unit<sup>6</sup></b>	SGD 0.90	USD 0.87
<b>Management Fee</b>	Currently 1.00% p.a.	Currently 1.00% p.a.
<b>Initial Investment</b>	None	None
<b>Subsequent Investment</b>	None	None
<b>ISIN Code</b>	SGXZ89799159	SGXZ86998101
<b>Bloomberg Code</b>	FULTRMB SP	FULTMB1 SP

	Class C (Distribution)	Class C1 (Distribution)
<b>Inception Date</b>	16 June 2021	16 June 2021
<b>NAV per Unit<sup>6</sup></b>	SGD 0.88	USD 0.85
<b>Management Fee</b>	Currently 1.00% p.a.	Currently 1.00% p.a.
<b>Initial Investment</b>	None	None
<b>Subsequent Investment</b>	None	None
<b>ISIN Code</b>	SGXZ13306394	SGXZ69984508
<b>Bloomberg Code</b>	FULTRMC SP	FULTMC1 SP

Note: All fund data are sourced from Fullerton, Bloomberg dated as at 31 May 2022, unless otherwise stated.

1. Numbers might not add due to rounding. Countries that are below 2% are classified under Others (Developed Market) and Others.

2. Where the security is not rated by external rating agencies, Fullerton's internal rating methodology will apply.

3. Refers to Yield-to-Worst in base currency, before hedging.

4. This represent the underlying holdings in Fullerton Lux Funds.

5. Please refer to our website for more details on the dividend payouts.

6. Figures are truncated to 2 decimal places. Please refer to Fullerton's website for official price.

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